

# CITY OF MIAMI BEACH

CITY HALL 1700 CONVENTION CENTER DRIVE MIAMI BEACH, FLORIDA 33139  
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## COMMISSION MEMORANDUM

**To:** Mayor David Dermer and  
Members of the City Commission

**Date:** October 19, 2005

**From:** Jorge M. Gonzalez  
City Manager

**Subject:** **REPORT OF THE JOINT FINANCE AND CITYWIDE PROJECTS COMMITTEE  
AND GENERAL OBLIGATION BOND OVERSIGHT COMMITTEE MEETING  
OF SEPTEMBER 12, 2005.**

A joint meeting of the Finance and Citywide Projects Committee and the General Obligation Bond Oversight Committee was held on September 12, 2005 at 3:30 p.m. in the City Manager's Large Conference Room.

### JOINT ITEM

1. **Discussion regarding the Capital Budget for FY 2005/06 and Capital Improvement Plan for FY 2006-2010.**

### ACTION

**The Committees moved the item to the full Commission, recommending adoption of the City of Miami Beach and Miami Beach Redevelopment Agency Fiscal Year 2005/06 Capital Budget and the 2006-2010 Capital Improvement Plan.**

Capital Improvement Projects Director Jorge E. Chartrand and Chief Financial Officer Patricia D. Walker gave a presentation outlining the proposed Fiscal Year (FY) 2005/06 Capital Budget and the FY 2006-2010 Capital Improvement Plan.

Mr. Chartrand gave a project status update of the City's Capital Improvement Program summarizing the following three key areas:

- Neighborhood Right-of Way Improvement Projects
- Parks and Facilities Projects
- Parking and Miscellaneous Projects

Mr. Chartrand replied to questions from Committee members regarding specific projects.

The Finance and Citywide Projects Committee (Committee) requested a Letter to Commission (LTC) be drafted on the status and projected time-frame of the Normandy Golf Course Renovation Project. The Committee also requested information on what the operating costs for maintaining the golf course opened until actual construction begins would be.

Agenda Item C6B  
Date 10-19-05

Ms. Walker summarized the process, project schedule and approach for developing the capital budget and capital improvement plan. Ms. Walker further explained the need to appropriate funds for commitments projected to be made in FY 2006.

City Manager Jorge M. Gonzalez stated that the City will be developing a public input process for the allocation of Pay-As-You-Go and Quality of Life capital funds.

The General Obligation Bond Oversight Committee raised concerns over staffing levels at the Capital Improvement Projects (CIP) Office. Mr. Gonzalez stated that as part of the FY 2005/06 operating budget, the City is proposing to add approximately six additional staff members to the CIP Office.

The Committees moved the item to the full Commission, recommending adoption of the City of Miami Beach and Miami Beach Redevelopment Agency Fiscal Year 2005/06 Capital Budget and the 2006-2010 Capital Improvement Plan.

## **FINANCE AND CITYWIDE PROJECTS COMMITTEE ITEMS**

### **NEW BUSINESS**

#### **2. Discussion regarding assistance to the Miami City Ballet (Ballet).**

#### **ACTION**

**The Committee directed the Administration to return to the full City Commission at its September 21, 2005 meeting with the following items:**

- **A Term Sheet outlining the proposed terms of the purchase and sale agreement for the acquisition of the Ballet's interest in the building including a description of proposed financial covenants to be included in the proposed lease agreement;**
- **A letter from each major lender stating that the payments due on loans as of August 31, had been deferred or were held in forbearance while the terms of the City's acquisition of the Ballet Studios building were negotiated;**
- **A funding plan for future capital maintenance and replacements; and,**
- **A resolution of the Ballet's Governing Board agreeing to the preliminary terms of the agreement as outlined in the Term Sheet.**

Mr. Gonzalez introduced and summarized the item. He added that this item was previously heard at the January 27, 2005 Committee meeting where the Ballet stated that they were in the process of securing financing to pay-off previous debt and fund capital improvements.

Mr. Gonzalez stated that the Ballet was unable to obtain a mortgage based on the covenants of the City's ground lease which require that in the event of a default the City would be in first position to be paid, and additionally the lease restricts the ability of a lender to use the building for any purpose other than non-profit.

Mr. Gonzalez added that based on their current financial position, the Ballet has indicated that without funding assistance, they would be forced to close the Company or seek out a new home that could provide financial assistance.

Ms. Walker stated that, with Commissioner Simon Cruz as a liaison, the Administration has been working on a financial package proposal that would help the Ballet become financially solvent and continue in its cultural partnership with the City as follows:

1. The City could acquire the Ballet's interest in the Miami City Ballet Studio Building for \$4.5 M and lease it back to the Ballet, at a rent of \$1 a year, with terms similar to the ground lease with the New World Symphony, and take over responsibility for the capital maintenance of the facility, and;
2. The City could make an additional investment of approximately \$500,000 for capital improvements to the Studio Theater to enable the Ballet to begin performances in this area during early 2006.

Ms. Walker added that Mr. Brad Judd, Director of Property Management, visited the Ballet Studios Building and prepared an assessment of the condition of the facility and its systems which reflects an estimated \$740,000 of capital maintenance and replacements that are necessary over the next two years which include: 1) \$500,000 for a new roof; 2) \$175,000 for replacement of five rooftop air conditioning units; and 3) \$65,000 for pressure-cleaning, waterproofing and painting the exterior of the building (Attached).

Representatives from the Miami City Ballet, including Edward Villella, Founding Artistic Director and Chief Executive Officer, Pamela Gardiner, Executive Director, Mike Eidson Esq., President of the Miami City Ballet Board of Trustees, Rosalind Richter, Vice President and member of Board of Trustees, and Mark Rosenblum, General Manager made a presentation to the Committee outlining the Ballet's deteriorating financial condition.

Ms. Walker stated that if the City decides to assist the Ballet, the City could provide input and review of the Ballet's annual budget and could maintain financial oversight through the appointment of both the City Manager and the City's Chief Financial Officer as voting members of the Ballet's Governing Board.

Ms. Walker added that the amount proposed would allow the Ballet to pay off their existing debt, loans and aged accounts payable which total approximately \$2.5 million and it would provide them with a working capital fund of approximately \$2 million to get them through the financially lean months at the beginning of each season for payroll, licenses, costumes, music and repetiteurs for the upcoming season.

The Committee engaged in a lengthy discussion of the proposal and the severity of the Ballet's financial condition.

Commissioners Saul Gross and Richard Steinberg recommended that in addition to the \$4,500,000, that the City fund the necessary \$740,000 of capital maintenance and replacements recommended by Mr. Judd, however, it was requested that the Ballet pay for future capital maintenance and replacements and provide annual funding into a reserve for that purpose.

The Committee did not agree to fund the \$500,000 for capital improvements to the Studio Theater at this time and suggested that the Ballet might pursue this project at a later date.

Commissioner Steinberg requested that the Administration work with the Ballet to outline financial covenants to incorporate into the agreement that would help insure that the Ballet would operate within its available financial resources in the future and not incur debt to meet its operating requirements.

Commissioner Cruz requested that the Ballet provide evidence from their lenders that the payments due on loans as of August 31 had been deferred or were held in forbearance while the terms of the City's acquisition of the Ballet Studios Building were negotiated.

In regard to the urgency of the Ballet's current cash flow needs the Committee suggested that the full Commission could approve an advance at their September 21, 2005 meeting, that would be applied toward the City's purchase price for the facility upon execution of a purchase and sale agreement. This advance would supplement operating funds for the Ballet until the specific terms of the purchase and sale agreement could be negotiated.

The Committee directed the Administration to return to the full City Commission at its September 21, 2005 meeting with the following items:

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JMG/PDW/mm

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THE CITY OF MIAMI BEACH  
PROPERTY MANAGEMENT DIVISION  
1245 MICHIGAN AVENUE  
MIAMI BEACH, FLORIDA 33139  
(305) 673-7630 fax (305) 673-7963



To: Patricia Walker  
Chief Financial Officer

September 9, 2005

From: Brad A. Judd RPA, FMA, CGC  
Director, Property Management

Subject: **Preliminary Status of the Miami City Ballet Building**

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As you and the City Manager requested, Property Management performed a preliminary inspection yesterday of the Miami City Ballet Building to provide information on the existing condition of the facility. In addition to HVAC systems, plumbing systems, and electrical systems, other items such as energy management systems inspections and a preliminary roof survey inspection were also performed. We also looked at existing maintenance contracts and service agreements to better understand how the facility has been maintained in the past. The following are the findings:

**Electrical and Fire Alarm Systems**

The Electrical system in this building is overall in very good working condition. The Switchgear and Electrical Panels are manufactured by Siemens and all are in very good working condition. All lighting fixtures, exit signs and emergency lighting were also found in good working condition with the exception of some minor ballast or lamp replacements. Also the Simplex Fire Alarm system was just certified in August 2005. Although this inspection was basically a visual inspection all panels and the switchgear were checked for any heating problems and none were present. In conclusion I do not anticipate any major problems with the Electrical System except for general maintenance requirements

**Roof**

For a relatively young roof, the waterproofing membrane presents a blistering condition that is severe and extensive. You can find blisters that are 3-4 feet wide by 4-6 feet long and they are located throughout the roof area. This condition allows the roof membrane to continue to perform until the blisters get punctured, which is not an uncommon occurrence on roofs that have equipment mounted on the surface. Maintenance personnel would walk through the roof to get to the equipment and step on the blisters causing a rupture on the membrane. You can find blisters under the walk-pads installed around most of the roof mounted equipment.

The other area of concern is that with the presence of such large blisters, the roofing membrane is not acting as an integral assembly. The membrane has separated from the substrate and the possibility of a wind uplift failure is increased. The areas where the blisters exist are weaker than the rest of the roof and might fail to resist the wind uplift force of a storm, causing a catastrophic failure due to a roof blow off. Even though this roof might still be under warranty, the warranty will not cover the blisters. I have attached a copy of a quick roof audit survey we had performed by Tremco yesterday

afternoon that provides more detail on these findings. A cost estimate of \$500,000 has been provided for the replacement of the roof and should be considered necessary in the next couple of years.

#### **HVAC and Energy Management Systems**

There are three RTU's (roof top units) on the main roof, two split air conditioning units, and assorted exhaust fans. All outdoor air conditioning units appear functional. All air conditioning units on the roof have extensive corrosion problems on the condenser coils. One of the RTU's has a section on fins missing and oil stains around the missing fins section, indicative of a previous refrigerant leak repair. Because the units were installed without special corrosion protective coatings, that would be typical in our specifications for roof mounted equipment in a salt air environment, it is safe to estimate that all units will have to be replaced within the next two years, with the exception of the air handling unit. All internal HVAC components were found to be operational and in good condition. The estimate for the replacement of all five units on the roof of the Miami City Ballet is \$175,000.00. This includes equipment cost, crane, labor, drawings and miscellaneous contingencies.

The energy management system is a Trane Tracer Summit system with graphics. All components appear to be on line. There was one undetermined alarm showing at the time.

#### **Plumbing Systems**

All plumbing systems were found in good operational condition. Water pressure was found to be low on the third floor of the building. This issue could be resolved with adjustments of the backflow prevention system or the installation of a domestic water pump to provide additional water pressure to the upper floors.

#### **General Conditions**

The building is in need of pressure cleaning, waterproofing, and paint. The building concrete eyebrows have some minor cracking that allows water to fall to the sidewalks below. A reasonable estimate for all of this work should be approximately \$65,000 and should be completed in the next two years.

All interior components of the building were found to be in very good and maintained condition including windows and interior and exterior doors.

#### **Conclusion**

The building is a wonderful structure with superb hurricane and structural protection elements. While the staff at the building readily admits that the building has had a serious lack of maintenance the building it has stood up very well by itself. The contracts that are in-place were developed to basically provide the ability to have someone to call in the event of a system failure rather than comprehensive routine or preventative maintenance service agreements. With the exception of the items mentioned in this report that should be seriously considered for replacement in the next two years, the building is a very good property. We have also obtained a complete set of blueprints of the building for our records.

I hope this helps, you and the City Manager in the understanding of the facility's current conditions. If you have any questions, please do not hesitate to call me at #7630.

BAJ

# **TREMCO**

## **Roof Audit Report**

*Prepared for* **City Of Miami Beach**



**General Conditions**

City Of Miami Beach

Miami City Ballet

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**Miami City Ballet**

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9/9/2005



## General Conditions

City Of Miami Beach

Miami City Ballet

Roof Name	Main Roof	Year Installed	2000
Square Feet	35,000	Roof Rating	Poor
Inspection date:	9/8/2005	Leakage	<input checked="" type="checkbox"/>
Inspector	Ricardo Moncada		

**Description** Coal Tar Pitch BUR membrane with gravel finish

**Overall Condition** The roof present and extensive and severe condition of blistering. Even though most of the blisters have not been punctured yet, the wind uplift resistance of the system is compromised through this condition.

**Roof Compositions** Concrete Deck  
1.5" Iso board fully adhered  
1/2" Fiberboard fully adhered  
3-4 plies of fiberglass adhered in coal tar pitch  
Flood coat and gravel

**Visible Roof Defects** -Extensive blistering  
-Open flashing laps  
-Cracks on the parapet walls  
-Deficient caulking seal around roof mounted windows.

**Scan History** N/A

**Work History** Some repairs have been done in the past to the roofs and to the windows

**Warranty Information** Not Available

**Recommendations** Even though the roof is performing at an acceptable level, the possibilities of a premature failure are high. It will either fail from open blisters allowing water into the system, or a blow off during a storm.

The probability of this roof system lasting as long as it was expected are minimum. The reason the building does not leak everywhere is because not all blisters have been punctured yet and you have a concrete slab. The replacement time will be dictated by the risk you are willing to take.

**Urgency items** Seal open laps at flashings  
Waterproof parapet walls

## Roof Photos

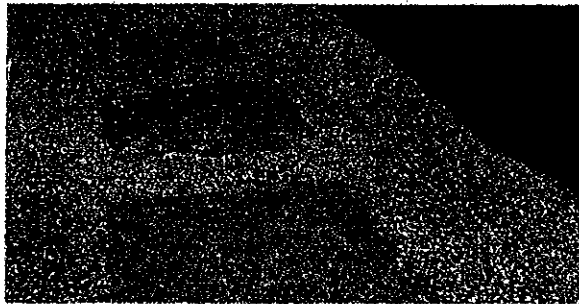
City Of Miami Beach

Miami City Ballet

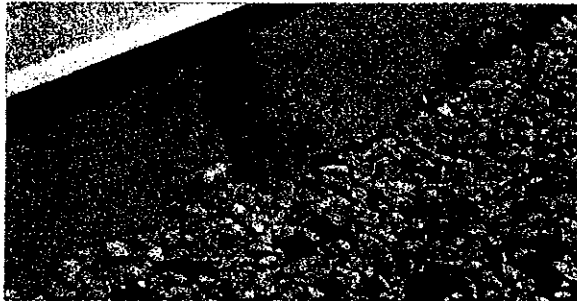
Overview. The blisters that are present on the roof surface are not very high in dimension, but they are wide and long. Unfortunately, that makes it difficult to avoid stepping on them.



There are blisters under the walk pads around the roof mounted equipment.



There are some flashing laps that are open. The laps do not have a reinforcement strip.



The caulking repair on the windows was done without removing the deteriorated caulking first.

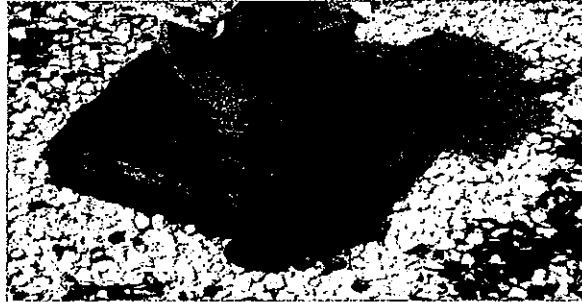


## Roof Photos

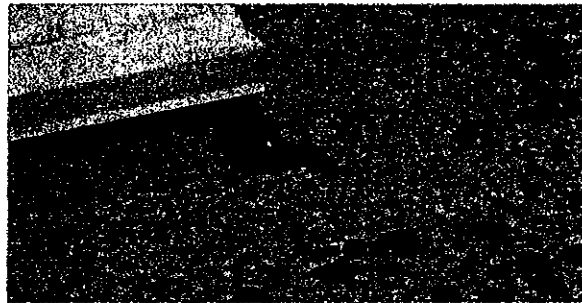
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Miami City Ballet

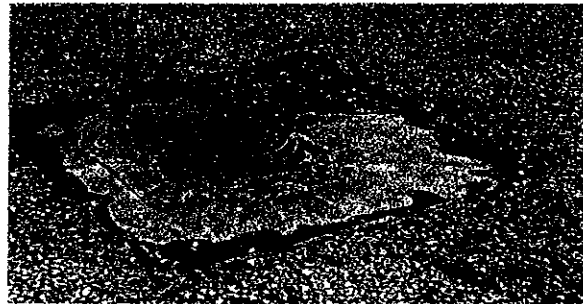
Pitch pans and penetrations are deteriorated. The mastic used in this pitch pan is rigid and is splitting.



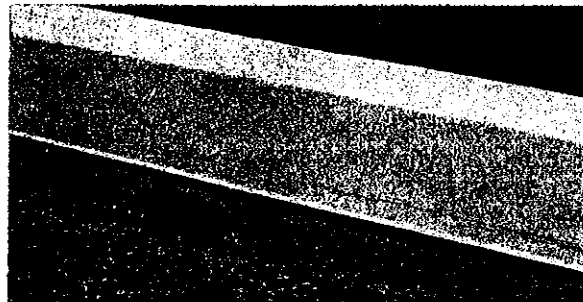
This corner flashing lap by one of the windows is open. There is no reinforcement on the flashing lap.



There are debris on the roof that when accumulated can block the drain.



This flashing lap was repaired by applying a bead of mastic over it. The repair should have included a reinforcing membrane. One can also see a crack on the parapet wall.



**Budget By Facility**

City Of Miami Beach

Miami City Ballet

Roof Area	Budget	Budget	Budget \$	Expended \$
Main Roof	2005	Replacement	\$500,000	
Building Summary			\$500,000	\$0

9/9/2005

### **Summary of Building Inspection Report**

	<u>Condition</u>	<u>Estimate</u>	<u>Timeframe</u>
<u>Electrical and Fire Alarm Systems</u>	Very Good		
<u>Roof</u> Blistered membrane	Poor	\$500,000	2 years
<u>HVAC and Energy Management Systems</u> 5 rooftop units - corrosion on condenser	Poor	\$175,000	2 years
<u>Plumbing Systems</u>	Good		
<u>General Conditions</u>			
Exterior Pressure cleaning, waterproofing and Painting	Fair	\$65,000	2 years
Interior Well – maintained condition	Very Good		

### **Conclusion**

The building is a wonderful structure with suburb hurricane and structural protection elements. While the staff at the building readily admits that the building has had a serious lack of maintenance the building it has stood up very well by itself. The contracts that are in-place were developed to basically provide the ability to have someone to call in the event of a system failure rather than comprehensive routine or preventative maintenance service agreements. With the exception of the items mentioned in this report that should be seriously considered for replacement in the next two years, the building is a very good property.